



METROPOLITAN STORES
OF CANADA LIMITED

Annual **REPORT**
FISCAL YEAR ENDED JANUARY 31, 1970

1970



METROPOLITAN STORES OF CANADA LIMITED

HEAD OFFICE WINNIPEG, MANITOBA

DIRECTORS

Edson Boyd	Partner — Richardson Securities of Canada	Winnipeg, Man.
Albert D. Cohen	President of General Distributors Limited	Winnipeg, Man.
Samuel N. Cohen	Vice-Chairman of Metropolitan Stores of Canada Limited	Winnipeg, Man.
Morley M. Cohen	President of Metropolitan Stores of Canada Limited	Montreal, Que.
Michael Greenberg	President of Greenberg Stores Limited	Westmount, Que.
Melvin L. Greenberg	Executive Vice-President of Greenberg Stores Limited	Mount Royal, Que.
F. N. Hughes	Partner — Richardson Securities of Canada	Winnipeg, Man.
G. R. Hunter, Q.C.	Partner — Pitblado, Hoskin & Co.	Winnipeg, Man.
J. H. Unger	Retired — Former President of Metropolitan Stores of Canada Limited	London, Ont.

OFFICERS

Albert D. Cohen	Chairman of the Board of Directors
Samuel N. Cohen	Vice-Chairman of the Board of Directors
Morley M. Cohen	President
Norman Radun	Vice-President — Merchandising
W. J. Young	Vice-President — Property
R. P. Fraser	Vice-President — Store Operations
Murray Heselton	Comptroller
Sterling R. Lyon, Q.C.	Secretary
Glen Shepherd	Assistant Secretary
Ron B. Slater	Assistant Secretary
R. Keith Fraser	Assistant Secretary

REGISTRAR AND TRANSFER AGENT

NATIONAL TRUST COMPANY LIMITED

AUDITORS

McDONALD CURRIE & CO.

B. Kee
Mar 1975
697-5440

REPORT OF DIRECTORS

To the Shareholders of

Metropolitan Stores of Canada Limited:

Your Board of Directors is pleased to report that Metropolitan in the ninth year of operation as a Canadian owned company was able to achieve a moderate increase in sales and to maintain its earnings at the 1969 level, while the national economy as a whole was passing through a period of severe inflation and downward adjustments in earnings.

EARNINGS

Earnings for the year ended January 31st, 1970, were \$2,018,369. as compared with \$2,020,852. in the previous year. After dividend payments of \$1.30 on the preferred shares 1961 and 1967 series, earnings from operations were \$1,658,919. which is equivalent to \$1.94 per common share. In 1969, earnings were \$1,659,571. which produced \$1.94 per common share.

SALES

Sales of the company in the year under review increased 6.5% to \$64,659,238. which compares with \$60,680,480. in the previous fiscal year.

STORE EXPANSION AND DEVELOPMENT

The opening of nine new stores and the renovation and enlargement of several others were the highlights of the company's store development in the past fiscal year. The chain of Met - Saan - Greenberg Stores now numbers 160 across Canada. The company continues its policy of opening or expanding into larger units in either proven or potentially good sales locations.

In 1969 over 200,000 sq. ft. was added to the selling space of the chain. The principal new outlets are as follows:

Met

Moncton, New Brunswick	36,000 sq. ft.
Newcastle, New Brunswick	30,000 sq. ft.

Saan

North Kamloops, B.C.	10,000 sq. ft.
Lloydminster, Alberta	6,900 sq. ft.
Richmond, B.C.	5,840 sq. ft.
Meadow Lake, Saskatchewan	6,000 sq. ft.
Fort Saskatchewan, Alberta	10,000 sq. ft.

Greenberg's

Pointe aux Trembles (Montreal)	25,000 sq. ft.
Alexis Nihon Plaza (Montreal)	30,000 sq. ft.

Substantial expansions were made to existing Met stores in Fredericton, New Brunswick; Halifax and Yarmouth, Nova Scotia; and Niagara Falls and Wallaceburg, Ontario.

The company has continued to enjoy success in its policy of integrating Met lunch counters and hard lines into both of the subsidiary companies, Saan and Greenberg's.

Of the five new stores which Saan added to its outlets in Western Canada, three (Drumheller, Fort Saskatchewan and Sherwood Park, Edmonton) have Met departments. Greenberg's two new stores in Montreal both contain Met departments. In addition an integrated Met line was added to Greenberg's Three Rivers Store and the same policy will be followed in the renovation and enlargement of its Quebec City Store and the Boulevard Shopping Centre Store in Montreal.

New outlets are in the planning stages for Met and its subsidiaries in 1970 all to be financed internally. These include two new Met stores in the Maritimes and two in Alberta, each in excess of 30,000 sq. ft.; one Saan Store in B.C.; and the enlargement of three Greenberg's Stores.

The company's main construction programme in 1970 is the new head office and warehouse for Saan presently being built in Fort Garry, a suburb of Winnipeg. This new plant which will more than double existing warehouse space will service the 54 Saan Stores in Western Canada and as well provide head office accommodation for the parent company.

General Distributors of Canada Ltd. and its subsidiary, General Distributors Limited. The efficiencies brought about by the consolidation of warehousing and enlargement of office facilities should manifest themselves in the operations of all companies using the new plant. The anticipated occupancy date of the new building is September 1st, 1970.

The company intends to continue its policy of closing smaller, non profitable units.

PERSONNEL

R. L. Bailey, one of the original Directors of the Company after its repatriation to Canada in 1961, died in 1969. A retired Executive of one of Canada's larger chartered banks, Mr. Bailey played a vital advisory role in the Company's development and progress during his eight years on the Board. The Directors record their sense of loss in his death.

The Company was fortunate in obtaining the services of Edson Boyd, C.A., a partner of Richardson Securities of Canada, as a Director. Prior to joining Richardson Securities, Mr. Boyd was a partner of an international firm of chartered accountants which is the company's auditors. He thus brings to the Board a background of professional experience in and familiarity with the Company's activities.

The past year also saw a number of significant changes in the officers of the Company. S. N. Cohen of Winnipeg, President since 1964, was appointed Vice-Chairman of the Board. He was succeeded as President and General Manager by Morley M. Cohen, formerly Executive Vice-President, at the Pointe Claire administrative offices.

Messrs. Norman Radun, W. J. Young and R. P. Fraser were appointed respectively as Vice-President — Merchandising, Vice-President — Property and Vice-President — Store Operations.

Mr. Radun joined Metropolitan as a Senior Buyer after having been associated with Saan Stores Ltd. since 1949. In 1966 he was appointed Merchandising Manager and later a Vice-President.

Except for service with the R.C.A.F. from 1941 to 1945 Mr. Young has been with the Company since 1935 as a Manager, Superintendent and Buyer before assuming his present responsibilities for the Company's real estate and store development.

Mr. Fraser has been with Metropolitan continuously for 32 years except for five years' wartime service in the Royal Canadian Navy. He has been a Store Manager, Superintendent and General Superintendent at the Pointe Claire office since 1966.

H. Murray Heselton, C.A., was appointed Comptroller in 1969 succeeding Ralph C. Duckworth. A member of the Quebec Institute of Chartered Accountants, and a Bachelor of Commerce graduate of Sir George Williams University, Mr. Heselton has been Assistant Comptroller since joining the company in 1964.

The increasing executive responsibilities at Head Office necessitated the creation of the new position of General Counsel to which S. R. Lyon, Q.C., was appointed in 1969. A former Attorney-General of the Province of Manitoba, Mr. Lyon is also Secretary of Metropolitan and General Counsel to General Distributors of Canada Ltd., the parent company.

DIVIDENDS

The fixed rate of \$1.30 per annum was paid on the Company's Cumulative Redeemable Preferred Shares, 1961 and 1967 series.

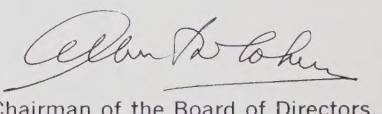
IN APPRECIATION

The Board wishes to record its sincere thanks for the co-operation and loyalty of the staff whose efforts have made possible the progress which the company realized in the past fiscal year.

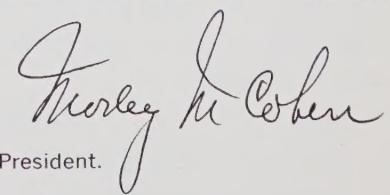
THE FUTURE

The fiscal year just concluded was one which saw a number of adjustments to the national economy. Measures taken by the Federal Government to combat inflation, while commendable and necessary in the national interest, have resulted in a levelling out of sales which will undoubtedly project well into 1970. Costs of operation in all spheres of the Company's business will hopefully reach a plateau in the forthcoming year.

In line with the Company's traditional philosophy of expansion, we are planning the opening of some larger units to the extent that the internal finances of the company will permit. On the whole, we anticipate 1970 being a year of consolidation and moderate expansion.



Chairman of the Board of Directors.



President.

Winnipeg, Canada.

March 1970.

MCDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE (514) 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 101, QUEBEC, CANADA

March 6, 1970

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Metropolitan Stores of Canada Limited and its subsidiaries as at January 31, 1970 and the consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald Currie & Co.

CHARTERED ACCOUNTANTS



CONSOLIDATED
BALANCE SHEET
AS AT JANUARY 31, 1970

ASSETS

	1970	1969
	\$	\$
CURRENT		
Cash and short-term deposit	2,141,913	1,652,573
Receivables	325,420	769,274
Inventories — at lower of cost or net realizable value	10,599,522	9,890,049
Prepaid expenses	334,694	264,284
	<hr/>	<hr/>
	13,401,549	12,576,180
 FIXED		
Land — at cost	5,518,087	5,698,291
Buildings, fixtures and equipment — at cost less accumulated depreciation (note 2)	9,346,327	8,839,671
Leasehold improvements — at cost less amortization	1,355,654	1,372,017
	<hr/>	<hr/>
	16,220,068	15,909,979
 OTHER		
Deferred charges and sundry investments	263,160	293,333
Excess of purchase price over equity in net assets of a subsidiary at date of acquisition	2,776,648	2,775,583
	<hr/>	<hr/>
	3,039,808	3,068,916

SIGNED ON BEHALF OF THE BOARD

Albert Cohen Director
Samuel N Cohen Director

32,661,425

31,555,075



METROPOLITAN STORES
OF CANADA LIMITED
AND SUBSIDIARIES

LIABILITIES

	1970	1969
	\$	\$
CURRENT		
Bank advances	4,067,807	4,084,603
Accounts payable and accrued liabilities	4,071,060	3,410,206
Income and other taxes	313,460	817,816
Long-term debt instalments due within one year	58,261	57,089
	<hr/>	<hr/>
	8,510,588	8,369,714
LONG-TERM DEBT (note 3)	5,499,319	5,975,580
DEFERRED INCOME TAXES	451,858	423,140
	<hr/>	<hr/>
	14,461,765	14,768,434

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized (note 4)		
Issued and fully paid —		
136,170 preferred shares, 1961 series		
(1969 — 138,975)	2,723,400	2,779,500
130,910 preferred shares, 1967 series		
(1969 — 140,400)	2,618,200	2,808,000
852,921 common shares	4,751,026	4,751,026
	<hr/>	<hr/>
	10,092,626	10,338,526

RETAINED EARNINGS

Appropriated for redemption of preferred shares under the terms thereof and in respect of preferred shares redeemed as required by law (note 5)	476,600	380,500
Unappropriated (note 6)	7,630,434	6,067,615
	<hr/>	<hr/>
	8,107,034	6,448,115
	<hr/>	<hr/>
	18,199,660	16,786,641
	<hr/>	<hr/>
	32,661,425	31,555,075
	<hr/>	<hr/>

METROPOLITAN STORES OF CANADA LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JANUARY 31, 1970

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies.

2. FIXED ASSETS

Buildings, fixtures and equipment and related accumulated depreciation are classified as follows:

	1970		1969	
	Cost	Accumulated Depreciation	Net	Net
	\$	\$	\$	\$
Buildings	7,163,136	1,954,283	5,208,853	5,183,718
Fixtures and equipment	8,534,451	4,396,977	4,137,474	3,655,953
	<u>15,697,587</u>	<u>6,351,260</u>	<u>9,346,327</u>	<u>8,839,671</u>

3. LONG-TERM DEBT

This consists of:

	Instalments due within one year		Instalments due after one year	
	1970	1969	1970	1969
	\$	\$	\$	\$
Metropolitan Stores of Canada Limited 6 1/2% first mortgage sinking fund bonds, Series "A" having a sinking fund requirement of \$220,000 in 1970 and progressively increasing annual requirements to a final maximum payment of \$540,000 in 1984 Less: Bonds purchased in advance of requirement	220,000	210,000	5,195,000	5,415,000
	<u>220,000</u>	<u>210,000</u>	<u>289,000</u>	<u>91,000</u>
	—	—	<u>4,906,000</u>	<u>5,324,000</u>
6 3/4% mortgage repayable by 1983 in monthly instalments of principal and interest of \$3,759 Greenberg's Department Stores (1962) Ltd. 5% unsecured notes repayable by 1975 in annual instalments of \$40,000	18,261	17,089	393,319	411,580
	<u>40,000</u>	<u>40,000</u>	<u>200,000</u>	<u>240,000</u>
	<u>58,261</u>	<u>57,089</u>	<u>5,499,319</u>	<u>5,975,580</u>

4. CAPITAL STOCK

Authorized —

480,910 preferred shares of the par value of \$20 (decreased during the year by the redemption and cancellation of 9,490 shares, 1967 series,) of which 150,000 are designated as the 1961 series and 130,910 as the 1967 series. Each series is entitled to a fixed cumulative dividend of \$1.30 per annum; the 1961 series is redeemable at \$21.25 per share and the 1967 series is redeemable at \$21.25 per share to November 1, 1977 and thereafter decreasing 25 cents per share in succeeding years to \$20.50 after November 1, 1979.

1,500,000 common shares without nominal or par value.

5. APPROPRIATED RETAINED EARNINGS

Appropriated retained earnings consist of the following:

	1970	1969
	\$	\$
Amounts set aside for the redemption of preferred shares under the terms thereof:		
1961 series	100,000	100,000
1967 series	100,000	60,000
Amount set aside as required by law equal to the par value of the preferred shares, 1961 series, redeemed (2,805 shares during the year)	276,600	220,500
	<u>476,600</u>	<u>380,500</u>

6. DIVIDEND RESTRICTIONS

The provisions of the Trust Deed securing the first mortgage sinking fund bonds, Series A, restrict the payment of dividends on common and preferred shares under certain conditions relating to the working capital and ratio of long-term debt and lease commitments to consolidated net tangible assets.

The payment of dividends is presently not restricted by these requirements which are exceeded by a substantial margin.

7. COST OF GOODS SOLD AND OPERATING EXPENSES

The following charges are included —

Directors' remuneration	259,300	259,300
Depreciation of fixed assets and amortization of leasehold improvements	1,229,219	1,121,241
Amortization of deferred charges	49,663	27,412
Interest on long-term debt	374,382	393,468

8. LEASE COMMITMENTS

Rentals paid on property leases for the year ended January 31, 1970 amounted to \$2,656,774 (1969 — \$2,310,482). Minimum annual rentals in subsequent years on long-term property leases in effect at January 31, 1970 are:

Year ended January 31	Minimum annual rental
1971	\$1,837,000
1972	1,760,000
1973	1,700,000
1974	1,589,000
1975	1,515,000

Certain of these leases provide for additional rental based on sales. In addition, other leases are in effect providing for the payment of rental based on sales.

9. CAPITAL COMMITMENTS

An office and warehouse building is being constructed for a subsidiary. The balance of cost to complete as at January 31, 1970 is estimated at \$1,550,000.

**METROPOLITAN STORES OF CANADA LIMITED
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED JANUARY 31, 1970**

	1970	1969
	\$	\$
SALES	64,659,238	60,680,480
COST OF GOODS SOLD AND OPERATING EXPENSES (note 7)	<u>60,567,463</u>	<u>56,471,473</u>
	<u>4,091,775</u>	<u>4,209,007</u>
PROVISION FOR INCOME TAXES		
Current	2,044,688	2,082,786
Deferred	<u>28,718</u>	<u>105,369</u>
	<u>2,073,406</u>	<u>2,188,155</u>
NET EARNINGS FOR THE YEAR	2,018,369	2,020,852
RETAINED EARNINGS — BEGINNING OF YEAR	<u>6,448,115</u>	<u>4,788,544</u>
	<u>8,466,484</u>	<u>6,809,396</u>
Dividends on preferred shares	<u>359,450</u>	<u>361,281</u>
RETAINED EARNINGS — END OF YEAR	<u>8,107,034</u>	<u>6,448,115</u>

**CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED JANUARY 31, 1970**

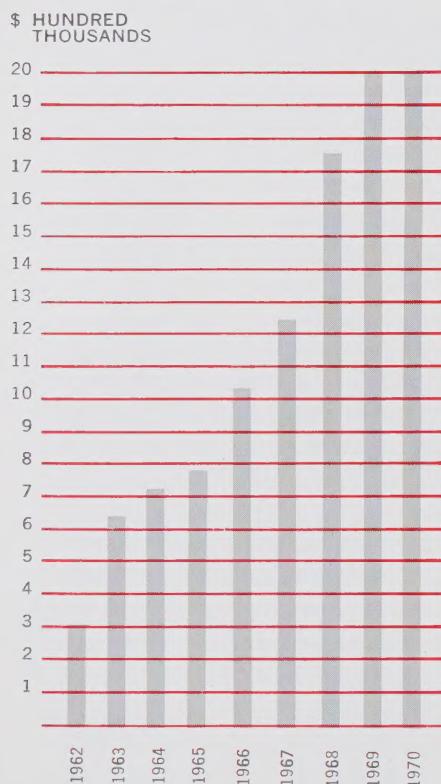
	1970	1969
	\$	\$
SOURCE OF FUNDS		
Net earnings for the year	2,018,369	2,020,852
Add: Charges not requiring cash outlay —		
Depreciation of fixed assets and amortization of leasehold improvements and deferred charges	1,278,882	1,148,653
Deferred income taxes	<u>28,718</u>	<u>105,369</u>
	<u>3,325,969</u>	<u>3,274,874</u>
USE OF FUNDS		
Additions to fixed assets — net	1,539,308	1,710,093
Increase (decrease) in other assets	20,555	(5,598)
Dividends on preferred shares	359,450	361,281
Purchase of 6½% first mortgage sinking fund bonds	418,000	211,000
Instalments of other long-term debt due within one year	58,261	57,089
Redemption of preferred shares	245,900	347,500
	<u>2,641,474</u>	<u>2,681,365</u>
INCREASE IN WORKING CAPITAL	684,495	593,509
WORKING CAPITAL — BEGINNING OF YEAR	<u>4,206,466</u>	<u>3,612,957</u>
WORKING CAPITAL — END OF YEAR	<u>4,890,961</u>	<u>4,206,466</u>

FINANCIAL SUMMARY

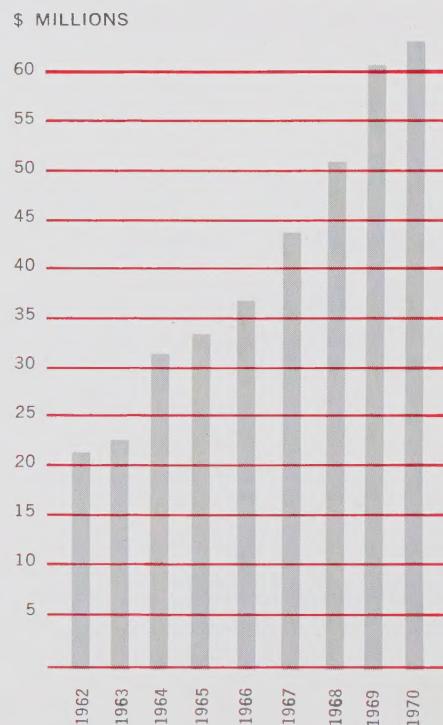
Years Ended January 31

	1970	1969	1968	1967	1966	1965	1964	1963	1962
Number of Stores	160	154	149	130	126	114	111	111	87
Sales	64,659,238	60,680,480	50,018,434	37,740,336	32,667,338	28,767,320	25,939,724	23,185,334	20,492,362
Earnings after tax	2,018,369	2,020,852	1,762,137	1,239,840	1,041,083	799,365	723,393	646,367	301,632
Preferred dividend	359,450	361,281	194,870	195,000	195,000	195,000	195,000	195,000	97,500
Earnings for common shareholders	1,658,919	1,659,571	1,567,267	1,044,840	846,083	604,365	528,393	451,367	204,132
Earnings per common share	\$1.94	\$1.94	\$1.83	\$1.22	99.1¢	70.8¢	62¢	52.9¢	27.8¢

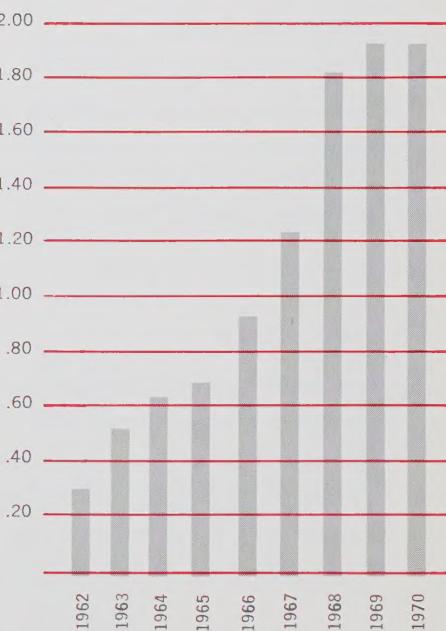
EARNINGS



SALES



EARNINGS PER COMMON SHARE



YEAR ENDED JANUARY 31st.

YEAR ENDED JANUARY 31st.

YEAR ENDED JANUARY 31st.

LOCATIONS OF 82 METROPOLITAN STORES

ONTARIO 35

Aylmer
Belleville
Chatham
Cobourg
Cornwall
Deep River
Kingston
Kirkland Lake
Leamington
London (3)
Niagara Falls
Orillia
Oshawa
Ottawa (2)
Parry Sound
Peterborough
Prescott
St. Thomas
Sarnia
Stratford
Thunder Bay (2)

TILLSONBURG

Timmins
Toronto (2)
Wallaceburg
Waterloo
Windsor (3)
Woodstock

BRITISH COLUMBIA 4

Kelowna
Nanaimo
Vancouver
Victoria

MANITOBA 4

Brandon
Dauphin
Portage la Prairie
Winnipeg

NEW BRUNSWICK 6

Bathurst

CAMPBELLTON

Fredericton
Moncton (2)
Newcastle

NOVA SCOTIA 18

Amherst
Antigonish
Bridgewater
Dartmouth
Digby
Glace Bay
Greenwood
Halifax (2)
Kentville
Liverpool
Lunenburg
New Glasgow
North Sydney
Sydney (2)
Truro
Yarmouth

ALBERTA 3

Calgary
Edmonton
Lethbridge

QUEBEC 4

Hull
Quebec
Rouyn
Sherbrooke

SASKATCHEWAN 6

North Battleford
Prince Albert
Regina
Saskatoon
Swift Current
Yorkton

PRINCE EDWARD ISLAND 2

Charlottetown
Summerside

LOCATIONS OF 54 SAAN STORES

MANITOBA 5

Brandon
Dauphin
Portage la Prairie
Swan River
The Pas

SASKATCHEWAN 17

Canora
Esterhazy
Estevan
Humboldt
Meadow Lake
Melfort

MOOSE JAW

Nipawin
North Battleford
Prince Albert
Regina
Saskatoon (2)
Swift Current
Tisdale
Weyburn
Yorkton

ALBERTA 13

Calgary (2)
Camrose

DRUMHELLER

Edmonton (3)
Fort Saskatchewan
Grande Prairie
Lethbridge
Lloydminster
Red Deer
Stettler

BRITISH COLUMBIA 19

Abbotsford
Chilliwack
Comox
Cranbrook

Dawson Creek
Fort St. John
Kamloops (2)
Kelowna
Nanaimo
Nelson
Penticton
Port Alberni
Powell River
Prince George
Revelstoke
Richmond
Vernon
Westview-North Vancouver

LOCATIONS OF 24 GREENBERG STORES

QUEBEC 24

Chambly
Granby
Joliette

LEVIS

Montreal (13)
Quebec (2)
St. Hyacinthe

ST. JEAN

St. Jerome
St. Therese
Three Rivers

MET

